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United States Courts
Southern District of Texas
FILED

APR 05 2006

Michael N. Milby, Clerk

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF TEXAS

HOUSTON DIVISION

H-06-CR-116

UNITED STATES OF AMERICA

v.

ROY GERHERD HORRIDGE, and
WILLIAM MICHAEL SEXTON,
Defendants

§ Ct. 1: Conspiracy to Commit
§ Aircraft Parts Fraud, 18 U.S.C.
§ §38(a)(3)
§ Cts. 2-10: Aircraft Parts Fraud,
§ 18 U.S.C. §38(a)(1)(C) & (b)(4)
§ Ct. 11: Bank Fraud, 18 U.S.C.
§ §1344
§ Cts. 2-11: Aiding and Abetting,
§ 18 U.S.C. §2
§ Ct. 12: Forfeiture, 18 U.S.C.
§ §38(d)

I N D I C T M E N T

THE GRAND JURY CHARGES THAT:

At all times material to this indictment:

A. SUMMARY

i. Defendant Horridge, through his company Air Ambulance by B&C Flight Management, Inc., operated an air ambulance service in Houston, Texas and other cities.

ii. Defendant Sexton was an aircraft mechanic for B&C and also, at various times, held the position of President and Chief Executive Officer.

iii. Defendants Horridge and Sexton conspired to submit false writings, specifically aircraft log book entries as to repairs and maintenance, for the purpose of deceiving the FAA and others regarding the airworthiness and monetary value of the aircraft.

iv. The FAA conducted an investigation and grounded B&C's fleet because the aircraft were unairworthy.

v. Eight B&C aircraft had been previously pledged as collateral for a \$5.5 million loan with Whitney National Bank in Houston.

vi. Defendants Horridge and Sexton hid from WNB the fact of the FAA investigation, along with other material facts, to induce WNB to advance the loan proceeds.

B. BACKGROUND

Air Ambulance by B&C Flight Management, Inc.

1. Defendant Horridge established Air Ambulance by B&C Flight Management, Inc. (B&C), in 1992 as a Nevada corporation. Its principal office was at 14630 Bramblewood, Houston, Texas, with additional operations bases in Clearwater, Florida, and Scottsdale and Show Low, Arizona.

2. Defendant Horridge was the sole stockholder of B&C and its sister company, which was the operator holding a Federal Aviation Administration-issued Air Carrier Certificate. This license is essential to lawfully operating aircraft in the United States.

3. B&C had 110 employees, including mechanics, pilots, and office staff.

4. Defendant Horridge was the controlling personality of B&C, in that he made the business and financial decisions to operate the company and its aircraft.

5. Defendant Sexton had been affiliated with Defendant Horridge in the private aircraft industry since the 1980's. Most recently, Defendant Sexton was the principal aircraft mechanic for B&C from 2001 to 2004, and held an Airframe and Powerplant Mechanic's Rating (A&P) Certificate from the FAA. This license authorized Defendant Sexton to perform maintenance on aircraft and certain aircraft parts, and obligated him to properly document his work in a complete and accurate manner. Under this same A&P authorization, Defendant Sexton could not authorize the return to service of any aircraft which he knew to have inaccurate maintenance records, or to be in an unairworthy condition.

6. The business of B&C was operating an on-demand air ambulance and air charter service in interstate commerce, with both domestic and international flights. B&C operated hundreds of flights annually from its bases.

7. The B&C fleet consisted of 13 aircraft, principally Lear jets and Cessnas.

8. Aircraft require routine maintenance inspections to ascertain condition, such as normal wear and impending failure of

components. Scheduled maintenance requirements, along with necessary unscheduled repairs, are predicated on ensuring safety of flight and prevention of component failures in flight. The cost of maintenance on aircraft is very high, comprising as much as one-third of gross revenues the aircraft might generate. For example, a Lear jet might generate a base income of \$1,400-\$2,900 per hour, not including add-on costs such as a medical team, medical supplies, and overnight or standby time.

The Federal Aviation Administration

9. The Federal Aviation Administration (FAA) is an agency of the United States Department of Transportation whose responsibilities include ensuring the safety and airworthiness of all domestic aircraft, and the safety of those persons who operate and fly on them.

10. The FAA meets this responsibility in part through the issuance of regulations, found within Title 14, Code of Federal Regulations (CFR). Therein are rules governing all aircraft operating in the United States, with rules specific to the on-demand air charter industry found in Part 135 of Title 14 CFR.

11. FAA regulations require aircraft owners and operators to keep records of preventive maintenance, alterations and inspections performed on each of their aircraft, as well as total time in service of each airframe, engine, propeller and rotor.

12. This information is recorded in an aircraft's logbook, which provides a history of major repairs, maintenance, and engine overhauls, as well as disclosure of major problems, such as airframe damage from an accident, engine failure, or other cause.

13. FAA regulations require that certain aircraft parts be inspected at specific intervals, in order to determine the retirement date of life-limited parts, and to gauge the resale value of an aircraft and its engines.

14. FAA regulations also require that pilots keep a logbook recording their flight time on each aircraft, and other pertinent information.

15. Each aircraft must have an appropriate and current Airworthiness Certificate, which may be obtained only by application to the Federal Aviation Administration. The Airworthiness Certificate is subject to suspension or revocation anytime the aircraft no longer conforms to all requirements set forth for airworthiness.

Whitney National Bank

16. Whitney National Bank in Houston, Texas, was a financial institution the deposits of which were insured by the Federal Deposit Insurance Corporation.

17. Defendant Horridge, acting individually and on behalf of B&C, made four loans with WNB from 2002 to 2003, totaling approximately \$6,119,000, which were secured by 8 aircraft.

18. In 2004, Defendant Horridge, acting individually and on behalf of B&C, consolidated the four loans into one and borrowed an additional \$1,000,000. Thereafter, the principal amount was \$5,685,597, which was secured by 8 aircraft.

THE CONSPIRACY CHARGE

COUNT ONE

19. The United States realleges paragraphs 1 through 18 of this Indictment.

20. Beginning on or before January 13, 1998 and continuing through August 9, 2004, within the Southern District of Texas and elsewhere, defendants

ROY GERHERD HORRIDGE

and

WILLIAM MICHAEL SEXTON

knowingly conspired and agreed, together and with other persons known and unknown to the grand jury, to commit an offense against the United States, that is: in or affecting interstate or foreign commerce, did knowingly and with the intent to defraud, make or use a materially false writing, entry, certification, document, and record concerning an aircraft part, specifically, false log book and other record entries regarding performed maintenance on aircraft frames and engines, in violation of Title 18, United States Code, Section 38(a)(1)(C).

Manner and Means of the Conspiracy to Commit Aircraft Parts Fraud

It was part of the conspiracy that Defendants Horridge and Sexton would do and did the following:

21. Defendants Horridge and Sexton, by agreement with each other, failed and refused to adhere to FAA-required practices concerning maintenance of its fleet of aircraft, and failed to properly document maintenance and inspections within FAA-required forms and logbooks.

22. Specifically, Defendants Horridge and Sexton made false, fraudulent, and material misrepresentations and omissions concerning inspections, repairs, maintenance, and the condition of the aircraft, to the FAA and to WNB.

23. Defendants Horridge and Sexton falsified and altered aircraft logbooks and other records, to give the appearance that the aircraft and components had less time in-service or fewer cycles than they had in fact accumulated, and to represent completion of maintenance that was not in fact performed.

24. Defendants Horridge and Sexton rotated fleet aircraft among the company's four bases of operations abruptly and frequently, such as to essentially prevent FAA oversight of the falsified aircraft logbooks, and to deceive pilots and others as to the true condition of the aircraft.

25. Defendants Horridge and Sexton ensured that, when an aircraft arrived at a different B&C operations base, it was

provided with altered or replacement maintenance records indicating less time in-service or fewer cycles than had actually accrued.

26. Defendants Horridge and Sexton engaged in these acts, by tacit or specific agreement, in order to maximize profits and avoid costly and time-consuming maintenance, even though they knew that such maintenance was critical to the safe operation of the aircraft.

27. In response to FAA concerns about the fleet's safety, as evidenced by extensive correspondence, Defendants Horridge and Sexton blamed others, made excuses, and otherwise stalled the agency's efforts.

28. Defendant Horridge used WNB as the lender on four individual loans, then a fifth loan to consolidate the previous four and advance to Horridge an additional \$1,000,000 cash.

29. Defendant Horridge, in negotiations with WNB for the loans, fraudulently misrepresented the condition of the aircraft pledged as collateral, and failed and refused to disclose the ongoing FAA investigation that was likely to result in grounding the fleet. If known by WNB, such information would have considerably diminished the value of the collateral and thus the creditworthiness of the borrower.

30. Defendant Horridge lied on loan applications by misrepresenting and omitting material facts, such as his true financial standing, creditworthiness, prior bankruptcy, prior bank

fraud conviction, intended use of the proceeds, and other facts, in order to induce WNB to advance more and more money.

31. Defendants Horridge and Sexton unduly placed at risk prospective pilots, crew, and passengers as a result of their false, fraudulent, and material misrepresentations, omissions, and entries concerning the aircraft.

32. Defendants Horridge and Sexton unduly placed WNB at risk of loss of principal and interest on the loans, and of civil litigation, as a result of their false, fraudulent, and material misrepresentations, omissions, and entries concerning the aircraft.

Overt Acts of the Conspiracy to Commit Aircraft Parts Fraud

33. In furtherance of this conspiracy, and in order to accomplish some object thereof, Defendants Horridge and Sexton, and others known and unknown to the grand jury, committed and caused to be committed the following overt acts or omissions, among others, within the Southern District of Texas and elsewhere:

(a) On or about January 13, 1998, Defendant Horridge sent an aircraft on a flight which he and Defendant Sexton knew to have a faulty glideslope indicator, causing a crash in dense fog at Houston Intercontinental Airport that killed the two pilots.

(b) On or about January 13, 1998, Defendant Horridge repeatedly called the Houston Intercontinental Airport

aviation weather source to inquire about flying conditions, but did not notify anyone of the crippled plane in the air.

(c) On or about February 1, 2003, Defendant Sexton, acting as an A&P mechanic on behalf of B&C, knowingly made a false entry misrepresenting aircraft total time in-service in the official aircraft records of N860MX.

(d) On or about March 1, 2003, Defendant Sexton, acting as an A&P mechanic on behalf of B&C, knowingly made a false entry misrepresenting aircraft cycles in the official aircraft records of N198JA.

(e) On or about May 1, 2003, Defendant Sexton, acting as an A&P mechanic of behalf of B&C, knowingly made a false entry misrepresenting aircraft total time in-service in the official aircraft records of N860MX.

(f) On or about December 28, 2003, Defendant Sexton acting as an A&P mechanic on behalf of B&C, knowingly made a false entry misrepresenting aircraft total time in-service in the official aircraft records of N535TA.

(g) On or about December 30, 2003, Defendant Sexton, acting as an A&P mechanic on behalf of B&C, knowingly made a false entry misrepresenting aircraft total cycles in the official aircraft records of N140GC.

(h) On or about February 5, 2004, Defendant Sexton, acting as an A&P mechanic on behalf of B&C, knowingly made a

false entry misrepresenting aircraft total cycles in the official aircraft records of N251DS.

(i) On or about March 18, 2004, Defendant Sexton, acting as an A&P mechanic on behalf of B&C, knowingly made a false entry misrepresenting aircraft total cycles in the official aircraft records of N9108Z.

(j) On or about April 14, 2004 and thereafter, Defendant Horridge falsely stated to a WNB loan officer that the purpose of the \$1,000,000 cash advance was to purchase a competitor, Able Aviation and Air Ambulance, Inc. in Florida.

(k) On or about April 15, 2004, Defendant Sexton, acting as an A&P mechanic on behalf of B&C, knowingly made a false entry misrepresenting maintenance concerning the installation of a flight-safety critical component in the official aircraft records of N198JA.

(l) From about the end of April 2004 and thereafter, Defendants Horridge and Sexton had no contact with anyone regarding the purchase of Able Aviation or its successor company American Aviation Management Solutions.

(m) On or about April 22, 2004, Defendant Horridge sent a letter to the FAA, stating that due to the investigation, business was down 45% and the financial stability of the company was in jeopardy.

(n) On or about May 4, 2004, Defendant Horridge sent a letter to the FAA, stating "I share your concerns," in response to the FAA's letter citing serious deficiencies in aircraft maintenance record-keeping and calling into question the validity of the airworthiness certificates of B&C's Lear jets.

(o) On or about May 7, 2004, Defendant Horridge signed loan documents that omitted material facts, including the ongoing investigation by the FAA, his 1988-1992 personal bankruptcy in Texas and California, his 1992 federal criminal conviction for making false statements on a bank document while he was a bank's President and principal shareholder, and overstating his net worth.

(p) On or about May 19, 2004, Defendant Sexton, acting as President of B&C, knowingly signed a sworn affidavit, representing corrected "accurate" aircraft total times and cycles for each of the collateral aircraft, which Defendant Sexton knew to be a false statement at the time.

(q) On or about May 21, 2004, Defendant Horridge advised WNB loan officers that the FAA had imposed an Emergency Order of Suspension, and he proposed to move the aircraft to a shell corporation, reregister with a new Air Carrier Certificate, and resume flying, for the purpose of unlawfully circumventing the FAA suspension.

(r) On or about June 7, 2004, Defendant Horridge filed for divorce from his wife of 27 years and relinquished most assets to her. The divorce was finalized August 9, 2004 although the two continued to live together.

(s) On or about August 19, 2004, Defendant Horridge sold his stock to a B&C officer, and proposed to stay on as a "consultant."

In violation of Title 18, United States Code, Section 38(a)(3).

THE AIRCRAFT PARTS FRAUD CHARGES

COUNTS TWO THROUGH TEN

34. The grand jury realleges paragraphs 1 through 18 of this Indictment.

35. On or about the dates set forth below, in the Southern District of Texas, defendants

ROY GERHERD HORRIDGE

and

WILLIAM MICHAEL SEXTON,

each aiding and abetting the other, did knowingly and with intent to defraud, make and use, and caused to be made and used, the following materially false writings, entries, certifications, documents, and records, concerning aircraft parts, in or affecting interstate or foreign commerce:

COUNT	DATE	DESCRIPTION	TAIL NUMBER
2	02/01/03	aircraft total time in-service	N860MX
3	03/01/03	aircraft cycles	N198JA
4	05/01/03	aircraft total time in-service	N860MX
5	12/28/03	aircraft total time in-service	N535TA
6	12/30/03	aircraft total cycles	N140GC
7	02/05/04	aircraft total cycles	N251DS
8	03/18/04	aircraft total cycles	N9108Z
9	04/15/04	aircraft maintenance concerning the installation of a flight-critical part	N198JA
10	05/19/04	sworn affidavit representing accurate aircraft total times and cycles for 8 aircraft	above-listed and N604AS, N988AS

In violation of Title 18, United States Code, sections 38(a)(1)(C),
(b) ~~(3)~~, and 2.

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THE BANK FRAUD CHARGE

COUNT ELEVEN

36. The grand jury realleges paragraphs 1 through 18 of this Indictment.

The Scheme and Artifice

37. Beginning in or about January 13, 1998 and continuing through about August 9, 2004, within the Southern District of Texas and elsewhere, defendants

ROY GERHERD HORRIDGE

and

WILLIAM MICHAEL SEXTON,

each aiding and abetting the other, did knowingly execute and attempt to execute a scheme and artifice to defraud Whitney National Bank, a federally insured financial institution, and to obtain money owned by and under the custody and control of the institution, by means of false and fraudulent pretenses and representations.

Manner and Means of the Scheme and Artifice

38. The Grand Jury realleges paragraphs 21 through 32 of this Indictment.

Execution of the Scheme and Artifice

39. In furtherance of the scheme and artifice, and in order to effect its objects, defendants Horridge and Sexton, and others known and unknown to the grand jury, committed and caused to be

committed, in the Southern District of Texas and elsewhere, the following acts and omissions: Defendant Horridge executed a loan at WNB in the amount of \$5,685,597, relying upon loan documents that misrepresented and omitted material facts, such as his true financial standing and other facts, and pledging as collateral 8 aircraft, the logbooks of which contained false, fraudulent, and material misrepresentations, omissions, and entries concerning the aircraft.

In violation of Title 18, United States Code, Sections 1344 and 2.

NOTICE OF CRIMINAL FORFEITURE

COUNT TWELVE

[Title 18, United States Code, sections 38(d) and 982(a)(2)]

Pursuant to Title 18, United States Code, Section 38(d), as a result of the commission of a violation of Title 18, United States Code, Section 38, as charged in Counts One through Ten inclusive, notice is given that Defendants Roy Gerherd Horridge and William Michael Sexton shall forfeit to the United States all property constituting, or derived from, any proceeds that Defendants obtained, directly or indirectly, as a result of such violation and all property used, or intended to be used in any manner, to commit or facilitate the commission of the offenses including, but not limited to, a money judgment in the approximate amount of \$5,685,597.00 in United States currency.

Pursuant to Title 18, United States Code, Section 982(a)(2), as a result of the commission of a violation of Title 18, United States Code, Section 1344 as charged in Count 11, notice is given that Defendants Roy Gerherd Horridge and William Michael Sexton shall forfeit to the United States all property constituting, or derived from, proceeds Defendants obtained directly or indirectly, as the result of such violation including, but not limited to, a money judgment in the approximate amount of \$5,685,597.00 in United States currency.

Substitute Assets

In the event that the property which is subject to forfeiture to the United States, as a result of any act or omission of Defendants:

- (1) cannot be located upon exercise of due diligence;
- (2) has been placed beyond the jurisdiction of the Court;
- (3) has been transferred or sold to, or deposited with a third party;
- (4) has been substantially diminished in value; or
- (5) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States to seek forfeiture of any other property of Defendants up to the value of such property, pursuant to Title 21, United States Code, Section 853(p), made applicable to these offenses by Title 18, United States Code, Sections 38(d)(2) and 982(b)(1).

A TRUE BILL

4/05/06


DATE



FOREPERSON OF THE GRAND JURY

APPROVED:

DONALD J. DeGABRIELLE, JR.
UNITED STATES ATTORNEY



CYNTHIA DeGABRIELLE
ASSISTANT UNITED STATES ATTORNEY